

ORIGINAL



BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE
Chairman

BOB STUMP
Commissioner

PAUL NEWMAN
Commissioner

SANDRA D. KENNEDY
Commissioner

BRENDA BURNS
Commissioner

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2012 JUL 9 PM 3 36
Arizona Corporation Commission

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JUL 06 2012



IN THE MATTER OF THE APPLICATION
OF ARIZONA-AMERICAN WATER
COMPANY FOR A WAIVER UNDER
A.A.C. R14-2-806 OR, IN THE
ALTERNATIVE, NOTICE OF INTENT TO
REORGANIZE UNDER A.A.C. R14-2-803

DOCKET NO. W-01303A-11-0101

SUPPLEMENT OF
COMPLIANCE FILING
REGARDING LONG TERM
DEBT

On March 22, 2012, EPCOR Water Arizona Inc. ("EWAZ") provided its compliance filing regarding replacement debt incurred resulting from its recent acquisition of Arizona-American Water Company ("AAW").

Due to recent follow-up conversations with Commission Staff, EWAZ is now supplementing the earlier compliance filing with the information it recently provided to Commission Staff in response to its informal questions.

In evaluating the March 22, 2012 filing, Commission Staff, as part of its own compliance effort, is reviewing responses AAW provided to RUCO DR 2.1 and DR 2.2 (attached herein) which provided the debt outstanding at the time of this RUCO DR (received April 20, 2011) as well as indicated the anticipated disposition of each debt item following the transaction.

EWAZ now supplements its responses. As regards RUCO DR 2.2, EWAZ supplements by noting that debt item #8 for \$10.635 m was also paid off and replaced as part of the transaction. As regards RUCO DR 2.1, EWAZ supplements its response by

1 noting that debt item #8's lender after August 2010 was "internal" and no longer "IDA."
2 It became internal debt in a transaction undertaken as per authority granted in Commission
3 Decision No. 71630.


4 EWAZ clarifies that the figure of \$169.7 million provided in EWAZ's March 22,
5 2012 compliance filing on Page 2, line 22 is comprised of the debt items 1, 2, 3 and 8 from
6 RUCO DR 2.1.

7 EWAZ further supplements RUCO DR 2.1 by noting that the issuance cost adjusted
8 interest rate for debt item #8 was 5.45%, not 5.25% as stated in the original response to
9 RUCO DR 2.1. Furthermore, recent Commission Decision No. 73145 accepted 5.45% for
10 debt item #8 (which was debt outstanding during that case) for ratemaking purposes.

11 EWAZ confirms that, as earlier indicated, RUCO DR 2.1 debt items 1 – 4 and 8 –
12 12 were paid off and replaced as part of the transaction. Debt item 5, short-term debt, was
13 reduced and replaced at \$9,246,000 following close. Debt items 6 and 7 remain with
14 EWAZ unchanged by the transaction.

15 In the response to RUCO DR 2.1, items 1-5 and 8-12 (i.e., those fully or partially
16 eliminated) totaled \$244.8 m; whereas, following close the replacement debt totaled
17 \$240,246,000. Therefore, the aggregate debt following close of the transaction as
18 compared to the aggregate debt indicated in response to RUCO DR 2.1 was approximately
19 \$4.6 m lower.
20

21
22 RESPECTFULLY SUBMITTED this 9th day of July, 2012.

23 
24 _____
25 Thomas M. Broderick
26 Director, Rates
EPCOR Water Arizona Inc.
2355 W. Pinnacle Peak Road
Phoenix, AZ 85027

1
2 ORIGINAL and thirteen (13) copies
3 of the foregoing filed
4 this 9th day of July, 2012, with:

5 The Arizona Corporation Commission
6 Utilities Division – Docket Control
7 1200 W. Washington Street
8 Phoenix, Arizona 85007

9
10 Copy of the foregoing hand-delivered
11 this 9th day of July, 2012, to:

12 Steve Olea
13 Utilities Division
14 Arizona Corporation Commission
15 1200 W. Washington Street
16 Phoenix, Arizona 85007

17 Teena Jibilian, Administrative Law Judge
18 Hearing Division
19 Arizona Corporation Commission
20 1200 W. Washington Street
21 Phoenix, Arizona 85007

22 Janice Alward, Chief Legal Counsel
23 Legal Department
24 Arizona Corporation Commission
25 1200 W. Washington Street
26 Phoenix, Arizona 85007

Copy of the foregoing mailed
this 9th day of July, 2012, to:

Daniel Pozefsky
RUCO
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Phoenix, AZ 85007

Robert Rials, President
Corte Bella Country Club
Association, Inc.
22155 N. Mission Drive
Sun City, AZ 85375

Jay L. Shapiro
Patrick J. Black
Fennemore Craig, PC
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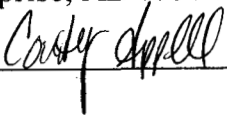
Andrew M. Miller

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COMPANY
DOCKET NO:

ARIZONA-AMERICAN WATER COMPANY
W-01303A-11-0101

Response provided by: Greg Barber
Title: Finance Director

Address: 2355 W. Pinnacle Peak Road, Suite 300
Phoenix, AZ 85027

Company Response Number: RUCO 2.1

Q. Debt Replacements Please refer to lines 18 through 20 of page 8 of AAWC's Application which states the following: "As part of this transaction, at closing, EPCOR will replace the existing Arizona-American debt extended by American Water with debt extended by EPCOR under comparable terms ("Debt Replacements")." In regard to this statement, please provide an itemized list of the debt obligations that will be replaced by EPCOR at the time of the proposed transaction closes that includes the following information:

- (a) name of debt issuances/loans
- (b) name of lenders (if applicable)
- (c) maturity date of debt issuances/loans
- (d) stated interest rate on debt issuances/loans
- (e) original amount financed through debt issuances/loans
- (f) current balance on debt issuances/loans

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A. See chart below for outstanding debt obligations.

	(a)	(b)	(c)	(d)	(e)	(f)
1.	5.39%Series A	Internal	12/21/2013	5.39%	\$24.7M	\$24.7M
2.	5.52% Series B	Internal	12/21/2016	5.52%	\$11.2M	\$11.2M
3.	5.62% Series C	Internal	12/21/2018	5.62%	\$123.1M	\$123.1M
4.	144A Bonds	Internal	10/15/2037	6.593%	\$16.45M	\$16.45M
5.	Short Term Debt	Internal	N/A	Approx. .40% to .79% based on actual and budgeted information for 2011	N/A	Approx. \$57.6M
6.	WIFA American Recovery and Reinvestment Loan	WIFA	11/1/2029	3.938%	\$839,726	\$809,219
7.	Tolleson Muni Refunding Bond (Guarantee by American Water)	Tolleson	5/1/2015	Variable	\$8.56M	\$8.56M
8.	Tax Exempt AMT Bonds Issued by the IDA of Maricopa, AZ	IDA	9/1/2028	5.25%	\$10.635M	\$10.635M

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	(a)	(b)	(c)	(d)	(e)	(f)
9.	Neighborhood Installment Agreement-- Monterrey		8/1/2012	6.26%	\$114,503	\$15,712
10.	Neighborhood Installment Agreement-- Rosalee		8/1/2013	5.76%	\$80,891	\$11,668
11.	Neighborhood Installment Agreement-- TO Development		8/1/2015	7.18%	\$69,278	\$28,453
12.	Neighborhood Installment Agreement-- Montex		8/1/2015	7.18%	\$55,050	\$24,372

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Response provided by: James McKee
Title: Director, Business Process Management
EPCOR Water Services, Inc
Address: 9469 Rosedale Road
Edmonton, Alberta Canada T5K 0A5

Company Response Number: RUCO 2.2

- Q.** Debt Replacements In regard to the itemized list requested in RUCO 2.1, please identify which specific Arizona-American debt issuance/loans will be replaced by EPCOR.
- A.** Items #1 through #5 will be replaced by EPCOR. It is likely that American Water will pay off items #9 through #12 at the time of Closing. However, to maintain the existing capital structure, EPCOR will need to issue new debt to replace these items.